

## AT-94-5 Federal/State Information Technology Policy

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## **Administration for Children and Families (ACF)**

U.S. Department of Health and Human Services  
Administration for Children & Families  
370 L' Enfant Promenade  
Washington, DC 20447

## **Food and Nutrition Service (FNS)**

U.S. Department of Agriculture  
Food and Nutrition Service  
3101 Park Center Drive  
Alexandria, VA 22302

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### **Action Transmittal**

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Transmittal No. AT-94-5

Date: July 22, 1994

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TO : STATE PUBLIC ASSISTANCE AGENCIES, STATE  
INFORMATION EXECUTIVES, AND OTHER INTERESTED  
PARTIES

SUBJECT : FEDERAL/STATE INFORMATION TECHNOLOGY POLICY

RELATED  
REFERENCES: 45 CFR PART 95, SUBPART F  
7 CFR Part 277

PURPOSE: This Action Transmittal (AT) implements short term  
changes in policy, which can be made within  
current law and regulations, to the Advance  
Planning Document (APD) requirements of the  
Department of Health and Human Services (HHS), in  
particular the Administration for Children and  
Families (ACF) and the Health Care Financing  
Administration (HCFA), and the Department of  
Agriculture, Food and Nutrition Service (FNS).  
These policy changes will provide greater  
flexibility within the existing APD process, while  
Federal and State representatives investigate more  
far reaching alternatives for changing or  
replacing the APD process. The policies detailed  
in this document will enhance State systems  
development and eliminate excessive paper work.

BACKGROUND: Funding for State automatic data processing (ADP)  
systems which support Federally funded public  
assistance, child welfare, and child support  
enforcement programs, are subject to the  
provisions of 45 CFR Part 95, Subpart F and 7 CFR  
Part 277. These are generally known as the  
advance planning document (APD) requirements or  
process. The APD process: ensures that Federal  
funds for capital investments in automation and  
technology projects are spent appropriately and  
wisely; and provides a source of information about  
State systems projects which is shared with other

States.

DISCUSSION: As part of the Federal government's initiative to reinvent processes and improve service to the States, Federal and State representatives worked together, through an Information Technology Work Group, to identify action items which would make the existing APD process more flexible and effective.

HHS and FNS anticipate that the policies instituted in this AT will result in: a reduction in State systems project delays; States developing personal computer (PC) based (client server) systems; States purchasing rather than leasing PCs; an increased emphasis on new ideas and new technology; reduced paperwork and recordkeeping; and associated cost savings.

In addition to the actions being taken within this AT, HHS and FNS intend to revise their APD regulations to provide additional relief and flexibility to States.

For the longer term, the two Departments will be investigating ways to further modify, or replace the existing APD process. Areas to be further investigated and initiatives to be undertaken with State representatives include: 1) alternative funding of State systems; 2) performance and accountability standards; 3) application software ownership rights; 4) APD review and operating standards; 5) Regional Office consistency; 6) technical assistance and model systems; 7) cooperative purchasing; 8) allocation of common costs; and 9) the role of State Chief Information Technology officials.

ACTION: The following new policies are effective with the date of this Action Transmittal:

#### **DEPRECIATING EQUIPMENT COST**

##### **Current Policy:**

Presently, State's may expense (claim Federal matching for the full cost in the calendar quarter in which the expense is incurred) the total cost of automatic data processing (APD) equipment

acquired under a single acquisition totalling \$25,000 or less without Federal approval. All other equipment acquisitions must be depreciated regardless of unit cost. The Departments may waive the depreciation requirement for an ADP equipment acquisition of more than \$25,000 in total cost, when a State shows it is in the best interest of both the Federal and State governments.

New Policy:

Individual items of ADP equipment with a useful life of more than one year and costing \$5,000 or less need not be depreciated but may be claimed in the calendar quarter in which they are purchased. The unclaimed part of ADP equipment costing \$5,000 or less, which is currently on a depreciation schedule, may be claimed in any calendar quarter after the effective date of this AT.

The equipment must be used by the program for which it was acquired for the useful life of the equipment, which we would expect to be a period of no less than three years.

States will depreciate or charge use allowance for ADP equipment acquired at a unit cost of greater than \$5,000, in accordance with statewide accounting practice.

**PRIOR FEDERAL APPROVAL**

Current Policy:

Regular match funded RFPs and contracts of less than \$100,000 sole source are exempt from Federal prior approval. The threshold limit under which competitive RFPs and contracts, funded at the regular match rate, are exempt from prior approval is \$300,000 for HHS and \$500,000 for FNS. RFPs and contracts above these thresholds may be specifically exempted by the Federal agency at the time of APD approval, if they are adequately described by State agencies within an APD.

New Policy:

The Federal agencies will exempt from Federal review and approval regular match RFPs and contracts with a total Federal and State cost

under \$1,000,000 for sole source acquisitions and under \$5,000,000 for competitive procurements. States must describe the scope and strategy for these procurements in the pertinent APD. The information required includes: justification for sole source acquisitions; procurement strategy, e.g. competitive sealed bid, statewide blanket contract, competitive negotiations, etc.; selection criteria; and any information unique to the acquisition.

For the purposes of this Action Transmittal, HCFA will consider the title XIX 75-percent matching rate for Medicaid Management Information Systems (MMIS) operational costs to be regular match. This policy does not affect 90-percent MMIS funding, which HCFA continues to define as enhanced match.

The agencies will retain the right to review and approve RFPs and contracts under these thresholds on an exception basis, for example where new program requirements or technology is involved, as in electronic benefit transfer.

#### **SYSTEMS TRANSFER**

##### **Current Policy:**

Federal regulations stipulate that systems transfer is an option for consideration in the alternatives analysis for a systems development. In practice, the Administration for Children and Families has required States to transfer existing systems.

##### **New Policy:**

Systems transfer must be considered as an option in the alternatives analysis of a systems development. Systems transfer is not a required solution.

INQUIRIES

TO

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HHS -- ACF Regional Administrators  
USDA -- FNS Regional Administrators

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Director, Office of  
Information Systems Management  
Administration for Children  
Service  
and Families

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Deputy Administrator  
for Management  
Food and Nutrition